DEVEN CHOKSEY RESEARCH

Q2FY26
Poonawalla Fincorp Ltd.

Result Update

23rd Oct 2025

Poonawalla Fincorp Ltd.

Balanced growth, stronger quality, and digital momentum.

CMP*	Target	Potential Upside	Market Cap (INR Bn)	Recommendation	Sector
INR 490	**INR 476**	**(2.9)%**	**INR 398**	**REDUCE**	**NBFC**

Result Highlights

Financial Highlights

Net Interest Income (NII) for Q2FY26 stood at INR 9,050 Mn , marking a 40.3% YoY and 17.8% QoQ growth, driven by strong disbursement momentum and improved yield mix across products.

Pre-Provision Operating Profit (PPOP) reached INR 3,866 Mn, rising 38.5% YoY and 19.1% QoQ, reflecting scale efficiencies despite continued investments in new business verticals.

Net Profit for the quarter came in at INR 742 Mn, up 18.5% QoQ, supported by healthy operating performance and lower credit costs.

Net Interest Margin (NIM) remained robust, with management reaffirming confidence in sustaining normalized margins near the ~9% level over the next few quarters.

The AUM expanded to INR 4,77,010 Mn, up 68.0% YoY and 15.6% QoQ.

Asset Quality

Gross NPA ratio improved to 1.6% in Q2FY26, declining by 25 bps QoQ, reflecting prudent credit underwriting and strong collection efficiency across product categories.

Net NPA remained stable below 1%, underscoring disciplined risk management and continued enhancement in asset quality.

Provision Coverage Ratio (PCR) remained healthy at around 49.7%, reaffirming the company's conservative provisioning policy.

Capital Adequacy Ratio (CAR) stood at a robust 20.8%, comfortably above regulatory requirements, with a strong Tier-I capital base supporting future growth.

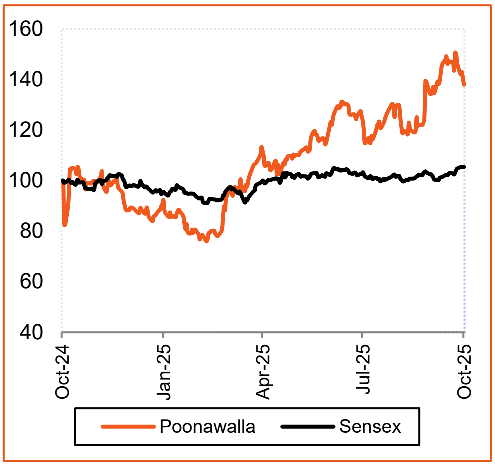
Liquidity Coverage Ratio (LCR) continued to remain well above the regulatory threshold at 141.5% as of September 30 2025, ensuring sufficient buffers and positive ALM gaps across all maturity buckets.

Outlook & Valuation:

Poonawalla Fincorp (PFL) delivered a strong quarter, driven by robust growth, margin expansion, and improved asset quality. The company saw healthy growth in AUM, with disbursements nearly doubling YoY. Margins improved sequentially, supported by a lower cost of borrowing, while net interest income rose sharply on the back of strong loan growth. Asset quality strengthened further, with lower delinquencies and a higher share of top-rated assets.

We value stock at 3.6x FY27E ABVPS and arrive at a Target Price of INR 476. While operational performance and management execution remain strong, elevated valuations makes the risk–reward balance unfavorable at current levels; hence, we downgrade our rating to "REDUCE" from "ACCUMULATE."

SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (Mn)	812
Mkt Cap (INR Bn)	398
52 Wk H/L (INR)	570/267

*Based on today's closing
Note: All the market data is as of today's closing

SHARE HOLDING PATTERN (%)

Particulars (%)	Sept-25	Jun-25	Mar-25
Promoters	64.0	62.5	62.5
FIIs	10.6	10.8	10.0
DIIs	12.3	12.3	11.1
Others	13.1	14.4	16.4
Total	100.0	100.0	100.0

48.3%
NII CAGR between FY24-27E

23.6%
Adj. PAT CAGR between FY24-27E

KEY FINANCIALS

Particulars (INR Mn)	FY 24	FY 25	FY 26E	FY 27E	FY 28E
NII	19,490	23,594	38,715	63,614	80,417
PPOP	13,894	13,228	20,162	36,191	49,863
PAT	20,560	-983	6,728	15,755	23,790
Adjusted PAT	8,348	-983	6,728	15,755	23,790
Adj EPS (INR)	10.9	-1.26	8.3	19.4	29.3
ABVPS (INR)	103.8	100.8	106.0	130.7	164.9
Advances Growth	54.9%	42.5%	38.4%	41.6%	41.3%

Source: Company, DevenChoksey Research

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Key Con-call Highlights:

Broad-based Growth Momentum

- Poonawalla Fincorp reported another strong quarter of growth in Q2FY26, with Assets under Management (AUM) rising to INR 4,77,010 Mn, reflecting a 68.0% YoY and 15.6% QoQ expansion. The growth was driven by broad-based traction across secured and unsecured portfolios, supported by new product launches and continued customer acquisition momentum.
- Management reiterated confidence in surpassing its earlier FY26 AUM growth guidance of 35–40%, citing strong disbursement trends, product diversification, and expansion in customer segments. Secured lending gains momentum as LAP and business loans scale up.

Portfolio Diversification and Product Mix

- The company maintained a balanced lending portfolio, with secured assets forming 56.0% of on-book AUM, reinforcing its shift toward asset-backed lending for risk-adjusted, sustainable growth.
- Total disbursements increased 16.0% sequentially, driven by strong traction in both retail and emerging product categories. New products contributed 17% of total disbursements, led by Gold Loans, Education Loans, Consumer Durable Loans, and Commercial Vehicle Loans.
- The Loan Against Property (LAP) book continued to grow steadily, supported by granular self-employed borrowers, while the Business Loan portfolio expanded further through diversified sourcing across DSAs, branches, and digital platforms.

Asset Quality and Risk Management

- Asset quality continued to improve during the quarter. The Gross NPA ratio declined to 1.6%, down 25 basis points QoQ, while the Net NPA ratio remained stable at 0.9%, supported by disciplined underwriting and strong collections.
- Stage 1 assets improved to 97.1%, reflecting the high quality of the loan book, while credit costs remained contained at 2.7%.The management emphasized its goal of maintaining “best-in-class credit cost” levels through a calibrated product mix and sustained control over collections.
- The legacy ‘Earth SCPL’ portfolio was further reduced to around 2.0% of AUM, with 70% now at zero DPD and fully provided, signaling that the portfolio clean-up phase is nearly complete.

Digital and AI-led Transformation

- Management highlighted significant progress in transforming Poonawalla Fincorp into an AI-First, Governance-First, and Risk-First financial services organization.
- A total of 45 AI-driven projects have been initiated, with 16 already live across key functions such as risk, finance, compliance, and operations. These include an AI-powered voice bot capable of handling 30,000 concurrent customer interactions, speech analytics for 100% call audits, and fraud risk management systems using machine learning for document validation.
- The newly introduced “RegIntel” platform automatically responds to internal compliance and regulatory queries, while an agentic AI workflow now automates up to 80% of branch disbursal processes, improving efficiency and transparency.
- In addition, a Finance Automation framework is being deployed to digitize liquidity management, reconciliations, budget controls, and taxation workflows, creating stronger governance and operational visibility.

Distribution and Digital Expansion

- The company’s physical and digital distribution footprint expanded significantly. The Gold Loan network reached 160 branches, disbursing approximately INR 1,100 Mn monthly, and is on track to scale up to 400 branches by March 2026.The Consumer Durable Loan business expanded its dealer base from 3,000 to 10,000 outlets across 190 locations, with 94% of customers adopting the P-Finn EMI Card.
- The Commercial Vehicle Loan segment recorded INR 1,000 Mn monthly disbursements through 49 locations and 450 channel partners, while the Education Loan vertical crossed INR 1,000 Mn monthly disbursements, processing over 10,000 files and partnering with more than 200 consultants.
- On the marketing front, the company onboarded 30+ digital affiliates and publishers, expanding beyond Google and Meta to diversify its customer acquisition sources.
- UI/UX improvements and targeted martech campaigns led to a 44% increase in app installations and a 21% rise in organic web traffic, reflecting growing digital engagement and customer adoption.

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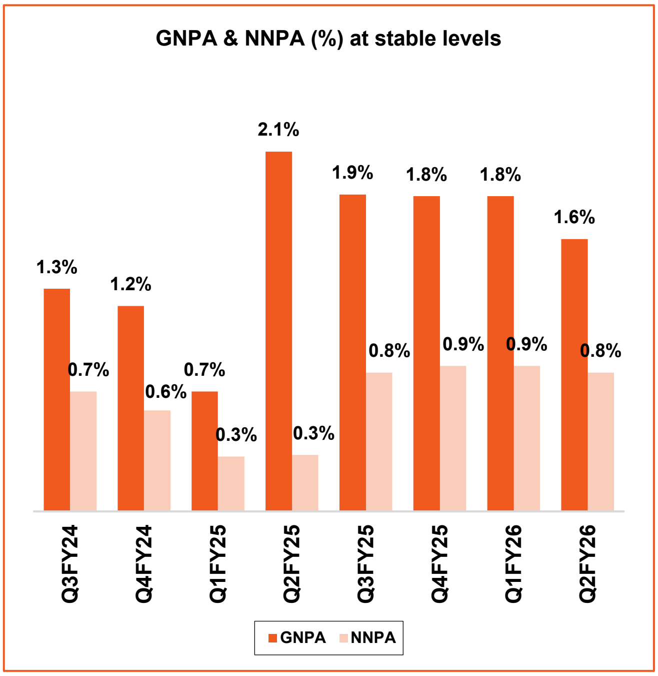
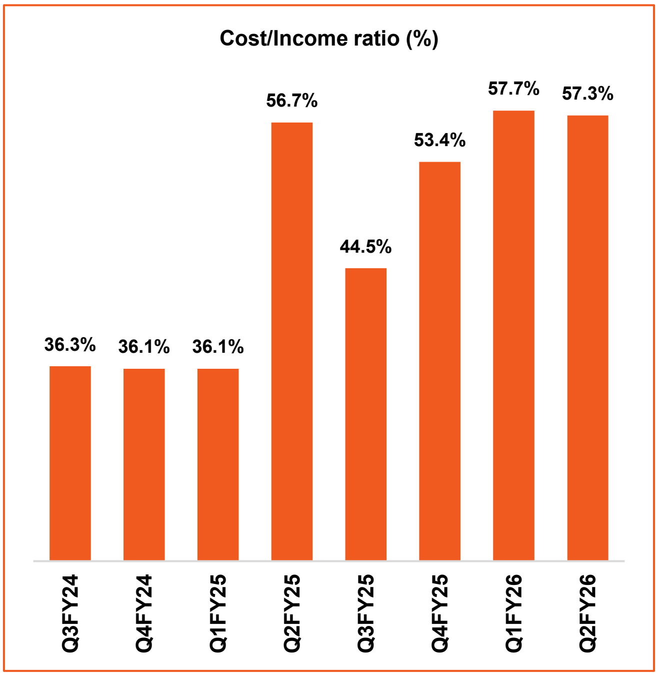
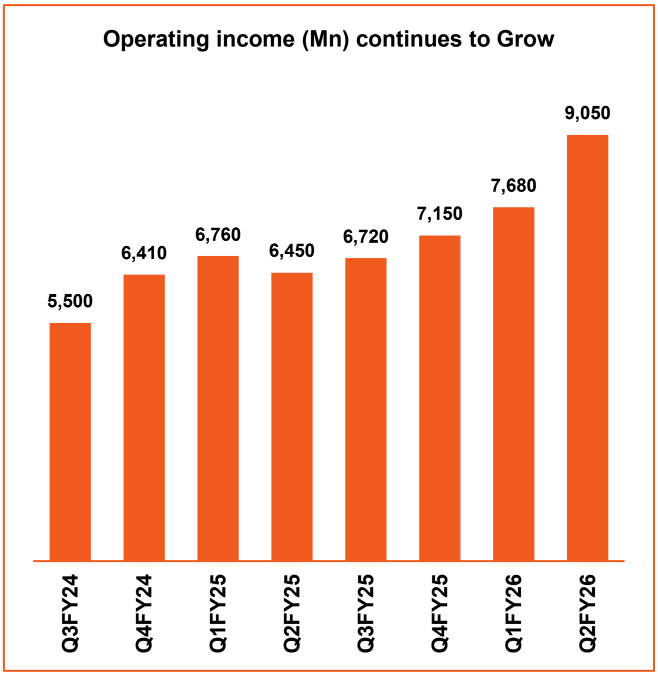
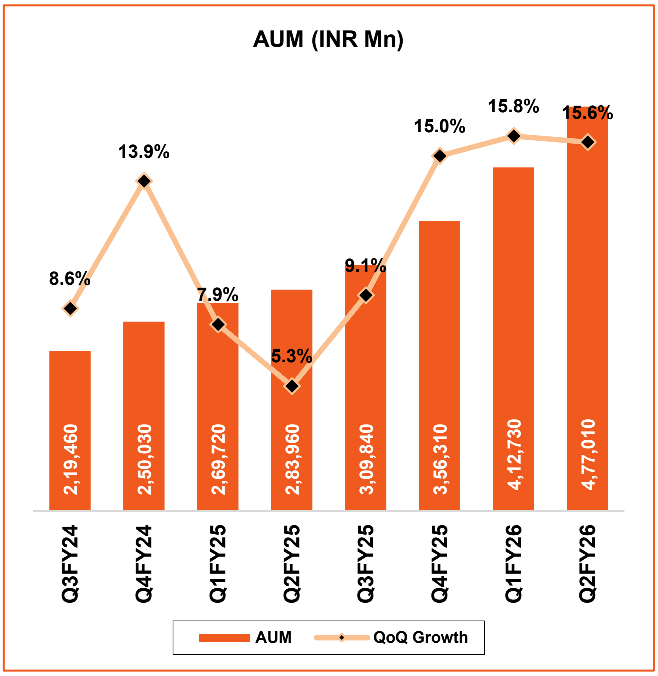
Story in Charts









Source: Company, DevenChoksey Research

Poonawalla Fincorp Ltd.

Result Snapshot

Particulars INR Mn.	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
Income Statement					
Interest Income	14,022	11,854	9,107	18.3%	54.0%
Interest expense	6,378	5,461	3,516	16.8%	81.4%
Net Interest Income	**7,644**	**6,393**	**5,592**	19.6%	36.7%
Other Income	1,405	1,287	858	9.2%	63.9%
Total Operating Income	**9,050**	**7,679**	**6,449**	17.8%	40.3%
Employee costs	2,564	2,132	2,121	20.3%	20.9%
Other operating expenses	2,620	2,302	1,536	13.8%	70.6%
Operating expenses	5,184	4,434	3,657	16.9%	41.7%
PPOP	**3,866**	**3,245**	**2,792**	19.1%	38.5%
Loan Losses and Provisions	2,877	2,411	9,096	19.3%	-68.4%
Profit before tax	**989**	**835**	**-6,305**	18.5%	-115.7%
Exceptional Item	**0**	**0**	**0**	0.0%	0.0%
Tax expense	247	208	-1,594	18.5%	-115.5%
Net profit	**742**	**626**	**-4,710**	18.5%	-115.8%
Asset quality					
Assets Under Management (AUM)	4,77,010	4,12,730	2,83,960	15.6%	68.0%
Key ratios					
Cost to income ratio (%)	57.3%	57.7%	56.7%	-40bps	60bps
RoAUM (%) - Not Annualized	0.2%	0.2%	-1.7%	0bps	181bps
NII/AUM	1.6%	1.5%	2.0%	5bps	-37bps

Source: Company, DevenChoksey Research

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Financials:

Exhibit 1: Profit & Loss Statement

INR Mn	FY25	FY26E	FY27E	FY28E
Interest Income	38,745	63,774	1,00,327	1,26,753
Interest Expense	15,151	25,059	36,713	46,336
Net Interest Income	**23,594**	**38,715**	**63,614**	**80,417**
Non-interest income	3,483	4,534	5,167	5,890
Operating income	27,078	43,250	68,781	86,307
- Employee expense	6,362	10,240	12,268	13,791
- Other operating expense	6,406	12,648	20,122	22,453
Net loss on derecognition of financial instrument	1,081	200	200	200
Operating Expense	13,850	23,088	32,591	36,444
PPOP	**13,228**	**20,162**	**36,191**	**49,863**
Provisions	14,582	11,309	15,460	18,560
PBT	-1,354	8,853	20,730	31,303
Tax Expense	-371	2,125	4,975	7,513
Exceptional Item	0	0	0	0
PAT	-983	6,728	15,755	23,790
Adjusted PAT	-983	6,728	15,755	23,790
Diluted EPS (INR)	-1.26	8.3	19.4	29.3
Adjusted EPS	-1.26	8.3	19.4	29.3

Exhibit 2: Balance Sheet

INR Mn	FY25	FY26E	FY27E	FY28E
Source of Funds				
Share capital	1,546	1,546	1,546	1,546
Reserves & Surplus	79,694	86,422	1,02,177	1,25,968
Networth	**81,240**	**87,968**	**1,03,723**	**1,27,514**
Borrowings	260,812	3,98,252	5,83,275	8,41,525
Other liabilities & provisions	7,740	7,879	8,052	8,268
Total Equity & Liabilities	**349,793**	**4,94,099**	**6,95,050**	**9,77,307**
Uses of Funds				
Cash & bank balances	323	1,890	7,220	14,648
Deferred Tax Assetes	2,055	2,055	2,055	2,055
Net investments	13,416	13,685	13,958	14,237
Loans & advances	326,950	4,69,370	6,64,667	9,39,167
Fixed assets	2,542	2,592	2,642	2,692
Other assets	4,507	4,507	4,507	4,507
Total Assets	**349,793**	**4,94,099**	**6,95,050**	**9,77,307**

Exhibit 3: Key Ratios

Key Ratio	FY25	FY26E	FY27E	FY28E
Growth Rates				
AUM (%)	42.5%	38.4%	41.6%	41.3%
Borrowings (%)	71.4%	52.7%	46.5%	44.3%
Total assets (%)	45.5%	41.3%	40.7%	40.6%
NII (%)	21.1%	64.1%	64.3%	26.4%
Pre-provisioning profit (%)	-4.8%	52.4%	79.5%	37.8%
B/S Ratios				
Credit/Borrowings (%)	130.1%	117.9%	114.0%	111.6%
Advances/Total assets (%)	97.0%	95.0%	95.6%	96.1%
Leverage - Total Assets to Equity	4.3	5.6	6.7	7.7
Operating efficiency				
Cost/income (%)	51.1%	53.4%	47.4%	42.2%
Opex/total assets (%)	4.7%	5.5%	5.5%	4.4%
Opex/total interest earning assets	1.7%	2.5%	2.9%	2.3%
Profitability				
NIM (%)	8.4%	9.6%	11.2%	10.0%
RoA (%)	-0.3%	1.6%	2.6%	2.8%
RoE (%)	-1.2%	8.0%	16.4%	20.6%
Asset quality				
Gross NPA (%)	1.8%	1.9%	1.9%	1.9%
Net NPA (%)	0.9%	0.4%	-0.4%	-0.7%
PCR (%)	54.5%	79.0%	119.8%	135.4%
Credit cost (%)	5.2%	2.8%	2.7%	2.3%
Per share data / Valuation				
EPS (INR)	-1.3	8.3	19.4	29.3
BVPS (INR)	104.4	108.3	127.7	157.0
ABVPS (INR)	100.8	106.0	130.7	164.9
P/E (x)	-329.9	59.8	25.5	16.9
P/BV (x)	4.0	4.6	3.9	3.2
P/ABV (x)	4.1	4.7	3.8	3.0
Profitability				
Return on Capital	-0.3%	1.6%	2.7%	2.9%
Return on Equity	-1.2%	8.0%	16.4%	20.6%

Source: Company, DevenChoksey Research

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Poonawalla Fincorp Ltd			
Date	CMP (INR)	TP (INR)	Recommendation
23-Oct-25	490	476	REDUCE
28-Apr-25	386	411	ACCUMULATE
04-Feb-25	313	370	BUY
25-Oct-24	297	348	BUY
26-Jul-24	366	455	BUY
09-May-24	469	555	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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